**Risk Management- Financial Health**

**Financial Health**

Even if the treasurer is not one of the board members, there are some important issues regarding financial management which the whole board should understand. Everyone should be involved in the different stages of establishing and monitoring the financial health of the station.

Most importantly, if the station is insolvent and cannot pay its bills, it is illegal for the board to carry on business.

While you may have the most trust-worthy book-keeper in the world, all board members must be responsible and know the financial state of the station. This is known as transparency. So an updated financial report should be reviewed every month while being compared to a financial management template which tracks expenditure against the projected budget figures.

The board should also receive a balance sheet showing the station’s worth at any given point in time (e.g. 30 June) which lists all assets and liabilities. This will give a snapshot of the station’s finances.

**Profit and Loss or Income and Expenditure Statement**

The income and expenditure statement is sometimes called a profit and loss (P&L) statement. Basically, it is a summary of the station’s income and expenses as invoiced over a specific period of time. It is usually prepared at regular intervals throughout the year but this example is for year-end.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Annual Profit and Loss Statement | | | |  |
| INCOME | | | |  |
| 2016 | | 2015 | |  |
| Membership Fees | 4,300 | | 3,900 |  |
| Broadcasting Fees | 1,109 | | 3,894 |  |
| Sponsorship | 35,135 | | 17,400 |  |
| CBF Ethnic Grant | 45,856 | | 42,331 |  |
| CBF Indigenous grant | | 1,105 | |  |
| CBF Development Grant | 1,000 | | 3,000 |  |
| CBF Training Grant | 6,000 | | 1,500 |  |
| Donations | 32,550 | | 24,000 |  |
| Transmission Grant | 23,000 | | 23,000 |  |
| other grants | 13,800 | | 38,850 |  |
| Interest | 29,000 | | 14,000 |  |
| Miscellaneous revenue | 2,564 | | 4,700 |  |
| Total | 194,314 | | 177,680 |  |
| EXPENDITURE | | | |  | |
| Accounting Fees | 900 | | 900 |  |
| Advertising and promotion | 989 | | 1,495 |  |
| Bank charges | 123 | | 75 |  |
| Conferences | 2,100 | | 2,000 |  |
| Consultants Fee | 6054 | | 5793 |  |
| Debts written off | | 535 | |  |
| Depreciation | 10,000 | | 10,000 |  |
| Grant expenses | 23,980 | | 16,715 |  |
| Insurance | 2,318 | | 2,368 |  |
| IT & internet expenses | 2,110 | | 863 |  |
| Licences | 3,638 | | 3,265 |  |
| Maintenance | 4,598 | | 3,336 |  |
| Minor Equipment | 1,154 | | 830 |  |
| Miscellaneous | 3,335 | | 3,162 |  |
| Transmitter site rental | 22,586 | | 36,290 |  |
| Postage | 400 | | 450 |  |
| Rent | 8,137 | | 7,566 |  |
| Salaries | 62,480 | | 55,000 |  |
| Subscriptions | 3,330 | | 1,772 |  |
| Telephone | 3,103 | | 3,339 |  |
| Training | 5,700 | | 2,056 |  |
| TOTAL | 181,536 | | 163,582 |  |
| Deficit/surplus for the year | 12,778 | | 14,098 |  |

**Cash Flow Statement**

The statement of cash flows is a summary of the money actually coming in and flowing out of the station over a specific period of time. It should not be confused with a Cash Flow Forecast that breaks your budget up across the year and shows you how much income or expenditure is expected to come in or go out on a monthly basis.

Ideally, a manager or treasurer will monitor both cash flow and Profit and Loss (P&L) on a monthly basis and a Board or management committee would review financial reports either monthly or on a minimum of a quarterly basis.

When an organisation has a tight financial budget, and little or no financial reserves, it is very important to monitor financial reports on a monthly basis to make sure the organisation is within budget and to be able see early warning signs of financial trouble.

Three signals that can indicate the potential for an organisation to fail financially are:

* Cash receipts are less than cash payments – there is a negative cash flow balance that is not predicted in the budget or cash flow forecasts
* Profit & Loss statements indicate there is a deficit – there is more money going out than there is coming in on an ongoing basis. If there are not enough financial reserves to cover the amount of the deficit, then income must be increased or expenditure must be reduced.
* Regular financial reports are not being produced or monitored and the organisation is not clear about its financial position – steps should be taken to re-establish regular reports and monitoring as quickly as possible.